THE ALGOMA STEEL CORPORATION, LIMITED

503 QUEEN STREET EAST, SAULT STE. MARIE, ONTARIO

To the Shareholders:

Included herein is the notice of an annual and general meeting of shareholders to be held on April 18, 1979 as well as an information circular, a form of proxy, an annual report for 1978 and a copy of By-law 3.

The purpose of the By-law is to change the retirement age of directors from age 72 to 70, effective January 1, 1981.

The interest of shareholders in the affairs of the Corporation is always encouraging. This interest has been reflected by the number of shareholders represented in person or by proxy at the annual meetings of shareholders in recent years. Your continued participation in this regard would be appreciated.

If you plan to attend the meeting it would be helpful if you would let the Secretary know in advance. Whether or not you plan to attend, we would appreciate your signing and returning the enclosed proxy form to assure that you are represented by proxy if something should arise preventing you from attending the meeting.

John Macnamara President and Chief Executive Officer	**Walter G. Ward** Chairman

THE ALGOMA STEEL CORPORATION, LIMITED

Notice of Annual and General Meeting of Shareholders

April 18, 1979

Sault Ste. Marie,
Ontario
March 15, 1979

To the Shareholders:

Please take notice that the annual and general meeting of shareholders of The Algoma Steel Corporation, Limited will be held at the Windsor Park Hotel in the City of Sault Ste. Marie, Ontario, Canada, on Wednesday, April 18, 1979 at the hour of 2:15 o'clock in the afternoon. The purposes of the meeting are:

1. To receive and consider the annual report of the directors and the consolidated financial statements of the Corporation for the year ended December 31, 1978 and the auditor's report thereon.

2. To elect directors and honorary directors.

3. To appoint the auditor and to authorize the board of directors to fix its remuneration.

4. To consider, and if thought advisable, to confirm with or without variation By-law 3 relating to the qualification of directors, passed by the directors on March 7, 1979. A copy of the said by-law is enclosed herewith.

5. To transact such other business as may be properly brought before the meeting.

By Order of the Board of Directors
HENRY A. SMITH
Secretary

Note: If you cannot be present in person, please sign and return the enclosed proxy form in the stamped addressed envelope provided. By resolution of the board of directors, proxy forms to be used at this meeting must be deposited either with the Secretary of the Corporation or the Corporation's agent, Montreal Trust Company, not less than 48 hours preceding the time of the meeting — that is before 2:15 p.m., Monday, April 16, 1979.

THE ALGOMA STEEL CORPORATION, LIMITED

INFORMATION CIRCULAR

The annual and general meeting of shareholders of The Algoma Steel Corporation, Limited (the "Corporation") will be held at the Windsor Park Hotel in Sault Ste. Marie at 2:15 p.m. Wednesday, April 18, 1979 for the purposes set out in the notice of meeting accompanying this circular.

The Annual Report for 1978 has been forwarded to you together with this circular. This circular gives information about voting and intended use of proxies at the meeting, the persons proposed to be nominated for election as directors, and other matters which will be of interest to shareholders.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On February 21, 1979 there were 11,674,628 common shares of the Corporation issued and outstanding and they are the only shares of the Corporation entitled to be voted at the meeting. Each common share registered in a shareholder's name on the date of the meeting entitles the holder thereof to one vote. Canadian Pacific Investments Limited, of Montreal, Quebec, (a subsidiary of Canadian Pacific Limited), owned directly or indirectly, on February 21, 1979, 6,375,710 common shares representing approximately 54.61% of the common shares outstanding.

PROXIES AND VOTING

Shareholders unable to attend the annual and general meeting are requested by management to complete and return the accompanying proxy form. These proxy forms are solicited by the management of the Corporation at Corporation expense and primarily by mail, though occasionally individual proxies may be solicited by telephone by regular Corporation employees. It is considered desirable that shareholders unable to attend personally be represented by proxy.

By resolution of the board of directors, all forms of proxy for use at the meeting must be deposited either with the Secretary of the Corporation or the Corporation's agent, Montreal Trust Company, at least forty-eight hours in advance, that is by 2:15 p.m. Monday, April 16, 1979.

The persons named in the enclosed form of proxy will vote for or against each matter referred to herein as directed by the shareholder completing the enclosed form of proxy, subject to Section 121 of The Business Corporations Act, (R.S.O. 1970 c. 53 as amended).

Failing such direction, those named in the enclosed form of proxy will vote for the election of directors and honorary directors and the appointment of the auditor and authorization of the board of directors to fix the auditor's remuneration as indicated below.

The enclosed form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the notice of meeting and other matters which may properly come before the meeting. At the time of printing this circular the management of the Corporation is not aware that any such amendments, variations or other matters are to be presented for action at the meeting.

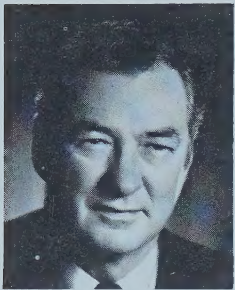
If you would prefer to appoint someone other than the persons named on the enclosed proxy form, simply strike out the printed names and print the name of your appointee in the space provided. To be valid, however, any proxy form must be deposited forty-eight hours before the meeting.

A completed proxy form once deposited may be revoked at any time by written notice (under seal for a corporation) deposited with the Secretary of the Corporation or with the chairman of the meeting, or by any other means provided by law.

ELECTION OF DIRECTORS

The board consists of fourteen directors elected annually to hold office until the next annual meeting of shareholders. It is proposed that the following will be nominated at the meeting. If for some reason any of the proposed nominees are unable to serve, the persons named in the proxy will use their best judgment in voting on alternate nominees.

The information below as to securities beneficially owned has been furnished by the respective directors individually, as of February 21, 1979.



ROBERT D. ARMSTRONG

Chairman and Chief Executive Officer, Rio Algom Limited. Mr. Armstrong, a resident of Toronto, became a director of the Corporation on April 15, 1976. He is also a director of Lornex Mining Corporation Ltd., Preston Mines Limited, Rio Tinto-Zinc Corporation Ltd., Canada Permanent Mortgage Corporation, Marathon Realty Company Limited and other companies. 200

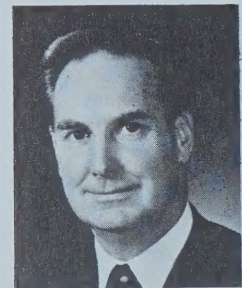
KEITH CAMPBELL

Vice-President, Canadian Pacific Limited, (transportation, real estate, forest products, mining, oil and gas and investments). Mr. Campbell was elected a director of the Corporation on April 15, 1971. A resident of Montreal, Mr. Campbell is a director of Canadian Pacific Limited, Great Lakes Forest Products Limited, The Royal Trust Company, The Toronto, Hamilton and Buffalo Railroad Company and other companies. 100

JAMES W. KERR

Chairman and Chief Executive Officer, TransCanada PipeLines. Mr. Kerr, a resident of Toronto, was elected a director of the Corporation April 19, 1978. He is also a director of Bell Canada, Canadian Imperial Bank of Commerce, Great Lakes Gas Transmission Company, International Minerals and Chemical Corporation (Canada) Limited, Lehndorff Corporation, Manufacturers Life Insurance Company, and other well known companies. 200

Common Shares of the capital stock of the Corporation beneficially owned directly or indirectly



JOHN MACNAMARA

President and Chief Executive Officer, The Algoma Steel Corporation, Limited. Dr. Macnamara was elected President of the Corporation on January 6, 1976, and was designated Chief Executive Officer on November 1, 1976. He was appointed a director of the Corporation on December 3, 1975. Dr. Macnamara is a resident of Sault Ste. Marie and is a director of Dominion Bridge Company, Limited and Canadian Pacific Investments Limited.

5,000

W. EARLE McLAUGHLIN

Chairman, The Royal Bank of Canada, (chartered bank). Mr. McLaughlin, a resident of Westmount, Quebec, joined the board of directors of the Corporation April 18, 1962. He is also a director of General Motors Corporation, Power Corporation of Canada, Standard Brands Inc., Canadian Pacific Limited, Metropolitan Life Insurance Co., Allied Chemical Canada Limited, and other well known companies.

200

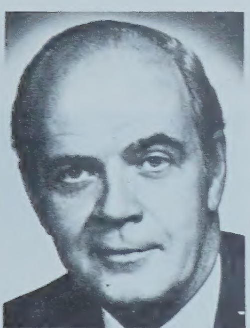
MACKENZIE McMURRAY

Mr. McMurray became a director of the Corporation, February 2, 1966. He is also a director of Detroit Marine Terminals, Quebecair, Canadian General Electric Company Ltd., Allendale Mutual Insurance Co., Burns Foods Limited and Montreal Trust Company. He is a resident of Montreal.

100

COL. M. C. G. MEIGHEN, O.B.E.

Chairman, Canadian General Investments, Limited, (investments). Col. Meighen was first elected to the board of directors of the Corporation April 18, 1963. Col. Meighen, a resident of Toronto, is also a director of Canada Trustco Mortgage Company and Domtar Limited. 200



ARTHUR H. MINGAY

Chairman and Chief Executive Officer of Canada Trustco Mortgage Company and The Canada Trust Company. A resident of Toronto, Mr. Mingay was elected a director of the Corporation on April 19, 1978. He is also a director of Canada Trustco Mortgage Company, The Canada Trust Company, The Mutual Life Assurance Company of Canada, T. I. Industries Limited and The World Wildlife Fund (Canada). Mr. Mingay is also Immediate Past President of The Trust Companies Association of Canada and is a member of the Advisory Committee, School of Business Administration, The University of Western Ontario. 250

PAUL A. NEPVEU

Vice-President Finance and Accounting, Canadian Pacific Limited, (transportation, real estate, forest products, mining, oil and gas and investments). Mr. Nepveu became a director of the Corporation on November 6, 1973. A resident of Montreal, Mr. Nepveu is a director of Chateau Insurance Company, Canadian Pacific Securities Limited and other companies. 100

Common Shares of the capital stock of the Corporation beneficially owned directly or indirectly

CHARLES I. RATHGEB

Chairman and Chief Executive Officer, Comstock International Ltd., (international constructors). Mr. Rathgeb, a resident of Toronto, was elected a director of the Corporation on April 15, 1971. He is also a director and Vice-Chairman of Canadair Limited and a director of T. G. Bright & Co., Limited, Comstock International Inc., Liquid Carbonic Canada Ltd., Olympic Trust of Canada, Texaco Canada Inc. and the Rathgeb Foundation.

4,000

LEONARD N. SAVOIE

President and Chief Executive Officer, Algoma Central Railway, (rail, truck and lake vessel transportation and real estate). Mr. Savoie became a director of the Corporation on March 2, 1971. He is also a director of Algocen Realty Holdings Limited, All Canadian-American Investments Limited, Thibodeau-Finch Express Limited, Newaygo Forest Products Limited and Viking Helicopters Limited. He is a resident of Sault Ste. Marie.

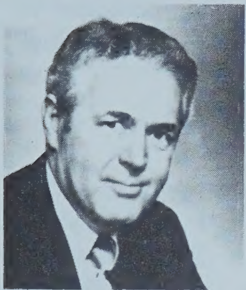
1,193

W. JOHN STENASON

Executive Vice-President, Canadian Pacific Investments Limited, (hotels, real estate, forest products, mining, oil and gas and investments). Mr. Stenason became a director of the Corporation on December 5, 1973. He is a resident of Montreal and is a director of Canadian Pacific Investments Limited, Canadian Pacific Hotels Limited, Cominco Ltd., Dominion Bridge Company, Limited, Fording Coal Ltd., Great Lakes Forest Products Limited, Canada Trust Company, AMCA International Corp., Pan-Canadian Petroleum Limited, Steep Rock Iron Mines Limited and other companies.

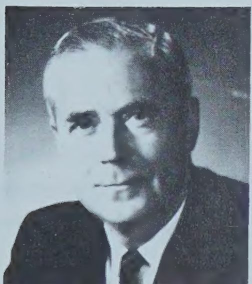
1,000

	Common Shares of the capital stock of the Corporation benefically owned directly or indirectly



JOHN D. TAYLOR

President, Simpsons-Sears Limited. Mr. Taylor was elected a director of the Corporation on April 19, 1978. He is also a director of Simpsons-Sears Limited, Simpsons-Sears Acceptance Company Limited, Allstate Insurance Company of Canada, Allstate Life Insurance Company of Canada, Canadian Opera Company, Canadian Special Olympics, DeSoto Chemical Products Limited and DeSoto Coatings Limited. Mr. Taylor, a resident of Toronto, is a Member of Council, Board of Trade of Metropolitan Toronto and a director of the Boys and Girls Clubs of Canada. 50



WALTER G. WARD

Chairman, The Algoma Steel Corporation, Limited. Mr. Ward, became a director of The Algoma Steel Corporation, Limited July 1, 1977 and Chairman on August 1, 1977. He is also a director of Canadian Imperial Bank of Commerce, Canadair Limited, Canada Packers Ltd., Canadian General Electric Company Limited, Dominion Bridge Company, Limited, Kawartha Broadcasting Company Limited and a number of other companies and and associations. —

ELECTION OF HONORARY DIRECTORS

Under the By-laws of the Corporation, honorary directors may be elected to hold office until the next annual meeting of shareholders. Since April 1, 1975 only an honorary director in office at that time is eligible for re-election. Proxy forms given pursuant to this solicitation will be voted for re-election of Gordon McMillan, Q.C., the only honorary director currently in office.

APPOINTMENT OF THE AUDITOR

Peat, Marwick, Mitchell & Co. has been auditor of the Corporation since 1950. Proxy forms given pursuant to this solicitation will be voted for its appointment at a remuneration to be fixed by the board of directors.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the Corporation and its subsidiaries to the directors and senior officers of the Corporation, including amounts paid as dividend equivalents on units issued under the Corporation's Extra Compensation Plan, was $1.3 million in the year ended December 31, 1978.

The aggregate cost to the Corporation and its subsidiaries, for the year ended December 31, 1978 of all pension benefits proposed to be paid by the Corporation and its subsidiaries to the senior officers of the Corporation, in the event of retirement at normal retirement age is estimated at $220,000.

As at December 31, 1978, the Corporation has accrued $1.1 million in respect of its Extra Compensation Plan which may become payable in the future on the retirement or termination of employment (other than for cause) or death during employment of certain senior officers of the Corporation, one of whom is a director of the Corporation.

CONFIRMATION OF BY-LAW 3

On March 7, 1979 the directors passed By-law 3 amending the by-laws for the Corporation to change the retirement age of directors from age 72 to age 70 effective January 1, 1981. By-law 3 relating to the qualification for election or appointment as a director requires confirmation at an annual or general meeting of the shareholders. A copy of the By-law is enclosed with this information circular.

Sault Ste. Marie, Ontario
February 21, 1979

ALGOMA STEEL

THE ALGOMA STEEL CORPORATION, LIMITED

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS and INFORMATION CIRCULAR

TIME: 2:15 p.m. Eastern Standard Time, WEDNESDAY, April 18, 1979

PLACE: Windsor Park Hotel, Sault Ste. Marie, Ontario

ALGOMA STEEL

Address

Presented at the

Annual Meeting of Shareholders

of

The Algoma Steel Corporation, Limited

April 18, 1979

by

John Macnamara

President and Chief Executive Officer

THE ALGOMA STEEL CORPORATION, LIMITED

ANNUAL MEETING PROCEEDINGS

The Annual and General Meeting of the Shareholders of The Algoma Steel Corporation, Limited was held at the Windsor Park Hotel, 617 Queen Street East, Sault Ste. Marie, Ontario on the 18th day of April, 1979, with Dr. John Macnamara, President and Chief Executive Officer of the Company, acting as the chairman. The following business was transacted:

The report of the auditors was read to the meeting and the Annual Report including the Consolidated Financial Statements of the Corporation for the year ended December 31, 1978 were approved.

Elected as directors were:

Robert D. Armstrong
Keith Campbell
James W. Kerr
John Macnamara
W. Earle McLaughlin
Mackenzie McMurray
Col. M. C. G. Meighen
Arthur H. Mingay
Paul A. Nepveu
Charles I. Rathgeb
Leonard N. Savoie
W. John Stenason
John D. Taylor
Walter G. Ward

Peat, Marwick, Mitchell & Co. were appointed auditors of the Company and the directors were authorized to fix the auditors' remuneration.

A new By-law No. 3, being a by-law amending Section 3.02 of By-law 1 and relating to the qualification of directors of the Corporation, was confirmed. It became effective when passed by the Board of Directors on March 7, 1979. Following the approval of the Annual Report and the Consolidated Financial Statements of the Corporation, Dr. Macnamara addressed the meeting. His remarks appear on the following pages.

ANNUAL MEETING ADDRESS

This marks the fourth year that I have addressed the Annual Shareholders' Meeting. On previous occasions I have dealt with general operating statistics and a perspective of Algoma's current and future status. 1975, 1976 and 1977 were disastrous years for many of the world's largest steel companies and Algoma's financial position deteriorated very substantially during this period.

We issued 65 million dollars of debentures in 1975 and 140 million dollars of preference shares during 1976 and 1977 to reduce short term loans, provide working capital and continue construction on essential projects. By February, 1977 our long term debt had risen to 270 million dollars and short term debt peaked at 96 million. The following month the dividend on our common shares was omitted for the first time since June 1957.

During these difficult years, I expressed confidence in Algoma because it was virtually self-sufficient in metallurgical coal and iron ore and our steelmaking and rolling mill facilities were modern and cost competitive with latent capacity to increase annual raw steel production to 3.5 million tons. The completion of the continuous slab casting plant and nominal capital expenditures in the rolling and finishing mills would enable us to process 4 million tons of raw steel into 3 million tons of rolled steel products.

Our primary objective during this period was to restore the Corporation's financial position which we believed would require a minimum of 10 percent return on average total investment, 15 percent on common shareholders' equity and careful control of capital expenditures.

By mid 1977, the North American steel market had strengthened and the 600 million dollars which Algoma had invested since 1969 in mining and manufacturing facilities began to validate the earlier decision to modernize existing equipment and install new, more productive facilities. By the end of 1977 it was

evident that we would enter 1978 with a healthy order book and a need for full out operations.

1978 was a record year in virtually every respect and it is with a great deal of pride and personal satisfaction that I take this opportunity to congratulate every Algoma employee for the part he or she played in improving the Corporation's profitability and financial position. What is even more important is that their efforts and record breaking performances have continued into 1979 and contributed to a very strong first quarter.

Before discussing the first quarter and the outlook for the remainder of the year I would like to express my views on three topics which have been given wide publicity in Canada and the United States.

On numerous occasions last year, the Canadian steel industry was accused of raising steel selling prices above justifiable levels and exporting large tonnages of steel to the United States. These actions supposedly generated excess profits for Canadian steel companies, deprived some Canadian consumers of adequate steel supply, and at the same time increased unemployment and reduced profits in the United States steel industry.

This criticism is unwarranted and I would like to present some facts which may help those who have been critical of our actions to gain a proper perspective and a better understanding of what is happening in the steel industry today.

Dealing first with the so called excess profits.

Close examination of published financial reports will show that since the mid 1960's the steel industry has made inadequate profits on its steel related business except perhaps in 1974. Although 1978 was one of the more profitable years in the last ten, not one of the world's large integrated steel companies earned ten percent on average total investment in their steel operations last year.

Last year Algoma earned only 10.6 percent on average total investment and 14.9 percent on common shareholders' equity. However, excluding the 7.5 million dollar extraordinary credit and the equity in the earnings of Dominion Bridge Company and making appropriate balance sheet adjustments, the return on average total investment in the steel related portion of our business was only 6.1 percent and 10.4 percent on common shareholders' equity. Such returns are completely inadequate to justify and maintain major capital expenditures necessary to guarantee growth of the Corporation and maintain employment.

How can an industry be accused of making excess profits when over the past ten years it has experienced an accumulative cash shortfall of 752 million dollars (cash flow after providing for dividends, repayment of long term debt and capital expenditures) and its long term debt has increased sevenfold from 159 million dollars to 1.1 billion dollars. Such was the case for the combined results of Stelco, Dofasco and Algoma, which produced 12.4 million tons of raw steel or three quarters of the 16.2 million tons produced in Canada last year.

More specifically, during this ten year period Algoma experienced an accumulative cash shortfall of 254 million dollars and only in 1971 and 1978 was sufficient cash generated in the business to meet requirements. Furthermore, Algoma's long term debt increased from 47 million dollars in 1969 to 249 million at the end of 1978 and by March 31, 1979, this debt had increased to 307 million upon issuing 100 million dollars of income debentures during the first quarter of this year.

Similarly, the six largest integrated steel companies in the United States (U. S. Steel Corporation, Bethlehem, National, Republic, Armco and Inland) have experienced a cash shortfall of 4.9 billion dollars and their long term debt has almost doubled in this same ten year period.

The steel industry is cyclical in nature and highly capital intensive. Once having embarked upon a course of action to modernize or increase capacity, hundreds of millions of dollars must be committed and a return on this investment may not begin to be realized until three to five years later. If during the construction period, demand for steel declines as it did in recent years, then there is no alternative but to reduce capital expenditures or go further into debt in order to complete the construction programme.

On a pro rata basis, Algoma, over the past ten years has spent more on capital projects and gone deeper into debt than most other North American steel companies. I see no evidence of excess profits being made by Algoma in any year, but what I do see is a modern, fully integrated steel plant that contributes hundreds of millions of dollars to the Canadian economy, employs 13,000 people, an increase of 2,500 jobs since 1969, and provides the Canadian market with one million more tons of rolled steel products annually than it did ten years ago.

Canada's three major Canadian integrated steel companies (Stelco, Dofasco, Algoma) have been judged by their peers to be among the most efficient and profitable in the world. That reputation has been earned as a result of modernization and heavy capital investment in new facilities employing the latest technology. We must continue to direct our capital to those resources and facilities which will permit effective product rationalization, increase productivity, and improve cost/price relationships if we are to improve profit margins in this very competitive industry.

Those who passed judgement on the Canadian steel industry have ignored the fact that return on average total investment in the steel business was less last year than that available on Canada Savings Bonds. They based their criticism on only 1978 profit levels and ignored the fact that 1975, 1976 and 1977 were very lean or loss years for the majority of the steel companies on this continent and throughout the world.

If the steel industry does not soon begin to generate sufficient funds from operations, modernization and expansion will cease and steel companies will direct their activities to more profitable lines of business as several major American steel companies have done very successfully. The steel industry faces the challenge of becoming more profitable not less, and we must be judged on the results of several years, not just one year.

In concluding my views on this subject of profitability I am confident that the capital programmes which Algoma has undertaken has placed the Corporation in a very strong position to achieve satisfactory profits on a sustained basis provided we can operate in an environment in which the necessity for adequate profits is fully understood.

I trust that those who inferred that our profits were excessive in 1978 will recognize that only through higher profits will Algoma be able to proceed with its planned capital programmes and provide more job opportunities and an adequate return to its shareholders.

Turning now to steel selling price increases.

Last year approximately one half of Algoma's improved operating margin came from selling price increases which exceeded inflation in production costs. The other half came from higher volume and improved operating factors. Such did not occur when Algoma suffered a pre-tax loss of 14.3 million dollars in its integrated steel operations in 1976 nor in 1977 when pre-tax earnings were a meager 5.5 million dollars.

Even though there was considerable idle steelmaking capacity last year in Japan, the European Economic Community and the United States, prices on some Canadian steel imports rose 120 dollars per ton while prices on comparable domestic products increased only 40 dollars per ton.

Canadian import prices increased as a result of the lower exchange value of the Canadian dollar, the desire of foreign countries to improve the profitability of their steel indus-

tries and government legislation which originally was instituted to reduce steel imports and ensure that imports were sold at fair market price. The Trigger Price Mechanism in the United States, the Basic Price System in the European Economic Community and the Bench Mark System in Canada did more to restore an order of stability and fair market value in international steel selling prices than these systems did to reduce imports.

Today, Canadian mill published steel prices are the lowest in the world. We will maintain this competitive advantage only so long as our productivity continues to improve and free market forces are permitted to establish selling prices which are sufficient to at least overcome inflation in production costs.

Steel companies cannot rely on price increases alone to improve profitability. Only those companies which continuously improve productivity and maintain effective planning marketing and operating strategies will remain truly competitive. However, even those North American integrated steel companies which have invested heavily in new facilities have not been able to increase productivity great enough to overcome labour cost increases in recent years. While Algoma's productivity has risen 4 per cent on average per year in the Steelworks Division since 1970, total employment costs per hour have increased 12 percent per year. At the same time, combined energy costs have escalated by 20 percent per year (coal, oil, natural gas, electric power). In this same period, steel selling prices which have averaged about 10 percent per year have not offset inflation in production costs. Obviously this trend must change if the industry is to continue to grow and serve the Canadian market.

And finally, the question of steel exports to the United States.

As has been stated on many previous occasions Algoma's policy is to provide continuity of supply to established customers under all market conditions regardless of the obvious

short term export opportunities that occur in periods of tight supply. In return we expect and have received a good degree of loyalty from our customers when imported steel is readily available below domestic mill prices. We believe these long term relationships with customers have contributed to limiting imports of steel into Canada to approximately 11 percent of apparent consumption rather than 18 to 20 percent experienced in the United States in recent years.

Last year approximately 1.8 million tons of steel were imported into Canada consisting of rolled steel products and other finished products such as pipe and wire, compared to the record 3.5 million tons in 1974 when imports accounted for 23 percent of apparent Canadian steel consumption.

The United States imported 21 million tons of steel last year of which 2.4 million came from Canada. Canadian steel represented 11 percent of total United States imports, but less than 2 percent of their steel consumption. By comparison preliminary estimates indicate that steel imports from the United States represented 45 percent of Canadian imports and 6 percent of our consumption.

While Algoma's total steel shipments last year were 12 percent greater than 1977, our total exports to the United States declined by almost 2 percent. Similarly our first quarter shipments this year were 4.6 percent higher than a year ago but our exports to the United States were 16 percent lower than in the first quarter last year.

As further evidence of Algoma's dedication to service the domestic market, we increased production of wide flange structural shapes last year by 40 percent and 94 percent of that increased tonnage was shipped to Canadian customers.

Canada and the United States are each others best trading partners and the current balance of trade in steel mill products has favoured Canada since 1975. However, available data suggests that combined trade in steel manu-

factured products including machinery, appliances, vehicles and auto parts is substantially in favour of the United States.

I am of the opinion that these import/export relationships are in the best interest of both countries. Our steel trade has been conducted competitively at fair market prices with neither country being in violation of respective trade laws. In this regard, we have received confirmation from the United States Department of the Treasury that Algoma's 1978 steel exports were in full compliance with United States anti dumping laws governing fair trade.

I would now like to review the first quarter results and comment on how we see the balance of the year.

In the first quarter raw steel production reached 887 thousand tons and steel product shipments 638 thousand tons, increases of 2.3 percent and 4.6 percent respectively over the first quarter of 1978. Sales revenue was 244 million dollars, an increase of 24 percent over the same period a year ago. Higher volume, increased selling prices, favourable productivity, and a significant change in product mix contributed to this improvement.

Pre-tax earnings in integrated steel operations amounted to 22.2 million dollars compared to 7.7 million last year. We expect that net earnings will approximate 20 million dollars or $1.45 to $1.50 per common share in the first quarter compared to 13.2 million or 94 cents per share last year.

The Steelworks operated at 100 percent of current rated capacity in the first quarter and it appears that full out operation will continue through to year end. The new 60 million dollar continuous slab casting plant is scheduled to begin operating in June, which will permit more raw steel to be processed into rolled steel products.

Engineering and construction is progressing as planned on capital projects announced

earlier and as the year progresses I will announce additional projects which will further improve the Corporation's product lines and production capabilities in our plate and strip mills. I anticipate capital expenditure approvals will approach 100 million dollars in 1979.

Cash flow from operations is expected to be sufficient to meet the Corporation's cash requirements and our financial position should strengthen. It is very encouraging to know that for the first time since 1969 we will be operating without the requirement of relying on short term borrowings. I am particularily pleased that the dividend was reinstated on the Corporation's common shares effective the first quarter this year. In this regard the Board of Directors at this morning's regular meeting declared a dividend of 15 cents for the second quarter payable June 29 to shareholders of record on June 1.

Before closing, I would like to thank each member of the Board of Directors for his assistance and wise counsel throughout the year.

Following his address, Dr. Macnamara paid tribute to Mr. C. Carson Weeks, Senior Vice President and Mr. Paul Morton, Chairman and Chief Executive Officer, Cannelton Industries, Inc. both of whom will retire in 1979 having reached the Corporation's mandatory retirement age of 65 years.

Mr. Weeks joined Algoma in 1937 and has directed its marketing and sales operations since 1948. Mr. Morton has been responsible for the Corporation's West Virginia coal mining operations since 1958, having joined Cannelton in 1953. Both were sincerely thanked for their many years of service and contribution to the Corporation's progress and well being.